

Registered Number 03772814

Dyson James Limited  
Directors' report and consolidated  
financial statements for the year ended  
31 December 2005



## **Dyson James Limited**

### **Directors' report and consolidated financial statements for the year ended 31 December 2005**

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## **Dyson James Limited**

### **Officers and Professional Advisors**

#### **Directors**

J Dyson

D Dyson

#### **Secretary**

A S Briggs

#### **Auditors**

PricewaterhouseCoopers LLP

1 Embankment Place

London

WC2N 6RH

#### **Principal Bankers**

Lloyds TSB Bank Plc

55 Corn Street

Bristol

BS99 7LE

#### **Principal Solicitors**

Wragge & Co.

55 Colmore Row

Birmingham

B3 2AS

#### **Registered Office**

Tetbury Hill

Malmesbury

Wiltshire

SN16 0RP

#### **Registered Number**

03772814

## **Dyson James Limited**

### **Directors' report for the year ended 31 December 2005**

The directors present their report together with the audited group financial statements for the year ended 31 December 2005.

#### **Principal activities and review of the business**

The principal activities of the Group are the sale and servicing of domestic appliances and the invention, research, design and development of domestic appliances.

#### **Results and dividends**

The Group's profit for the year after taxation amounted to £82,721,000 (2004: £61,226,000). Dividends payable in respect of the year amounted to £nil (2004: £7,000,000), accordingly the retained profit has been transferred to reserves.

#### **Future developments**

The directors expect the general level of activity to continue in the forthcoming year.

#### **Donations**

During the year the Group made donations of £2,926,000 (2004: £173,000) for charitable purposes, the major element of which was a £2,885,000 donation to the James Dyson Foundation (a registered charity) (2004: £150,000). No payments were made for political purposes (2004: £nil).

#### **Employee involvement**

The Group's aim, for all members of staff and applicants for employment, is to fit the qualifications, aptitude and ability of each individual to the appropriate job and to provide equal opportunity regardless of sex, religion or ethnic origin. The Group does all that is practicable to meet its responsibility towards the employment of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative. The training and re-training of staff is a high priority. Much of this training is on the job as well as by internal and external courses.

It is Group policy that career development and promotion opportunities should be available to all employees. The Group ensures that all employees are kept up to date by regular meetings and newsletters with major developments and changes within the organisation.

#### **Research and development**

The Group is committed to research and development. Research and development costs amounting to £35,547,000 (2004: £19,423,000) were expensed in the year.

#### **Creditor payment policy**

The company has no business transactions with suppliers.

## Dyson James Limited

### Directors and directors' interests

The beneficial interest of the directors, both of whom held office throughout the year, in the share capital of the Company was as follows:

		2005	2004
		Number	Number
J Dyson	A ordinary	13,960	13,960
	B ordinary	2,000	2,000
D Dyson	A ordinary	-	-
	B ordinary	-	-

At the date of this report J Dyson held 69.9% (2004: 69.9%) of the A ordinary shares and 100% (2004: 100%) of the B ordinary shares.

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period. The directors confirm that in preparing those financial statements they have:

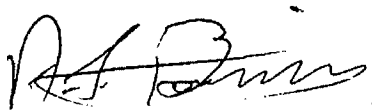
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards and applied them consistently; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board on 27 March 2006



A S Briggs  
Secretary

## **Dyson James Limited**

### **Independent auditors' report to the members of Dyson James Limited**

We have audited the group and parent company financial statements (the "financial statements") of Dyson James Limited for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

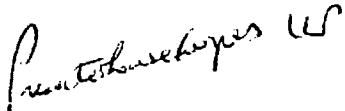
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Dyson James Limited

### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London  
27 March 2006

**Dyson James Limited****Consolidated profit and loss account for the year ended  
31 December 2005**

	<i>Note</i>	<b>2005</b> <b>£'000</b>	<b>Restated</b> <b>2004</b> <b>£'000</b>
<b>Turnover</b>		<b>470,410</b>	398,977
Cost of sales		<b>(163,252)</b>	(140,981)
<b>Gross profit</b>		<b>307,158</b>	257,996
Distribution expenses		<b>(13,318)</b>	(11,941)
Administrative expenses		<b>(197,314)</b>	(170,612)
<b>Operating Profit</b>		<b>96,526</b>	75,443
Interest receivable and similar income	7	<b>7,199</b>	3,137
Interest payable and similar charges	8	<b>(614)</b>	(378)
<b>Profit on ordinary activities before taxation</b>	4	<b>103,111</b>	78,202
Tax on profit on ordinary activities	9	<b>(20,390)</b>	(16,976)
<b>Profit on ordinary activities after taxation</b>		<b>82,721</b>	61,226
Minority interests (including non-equity)	21	<b>(1)</b>	(39)
<b>Profit for the financial year</b>		<b>82,720</b>	61,187
Dividends (including non-equity)	10	-	(7,000)
<b>Profit retained for the financial year</b>	20	<b>82,720</b>	54,187

All of the group's operations are continuing.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 11 to 33 form part of these financial statements.

**Dyson James Limited****Consolidated statement of total recognised gains and losses  
for the year ended 31 December 2005**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	<b>82,720</b>	61,187
Currency translation differences on foreign currency net investment hedges	<b>(1,657)</b>	-
Other exchange adjustments taken to reserves	<b>2,633</b>	(406)
<b>Total recognised gains for the year</b>	<b>83,696</b>	60,781

**Dyson James Limited****Consolidated balance sheet as at 31 December 2005**

	<i>Note</i>	<b>2005</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
<b>Fixed assets</b>					
Intangible assets	11		4,110		4,235
Tangible assets	12		71,431		67,845
			<b>75,541</b>		<b>72,080</b>
<b>Current assets</b>					
Stocks	14	31,878		24,238	
Debtors: amounts falling due within one year	15	96,864		90,001	
Debtors: amounts falling due after more than one year	16	-		13,918	
Cash at bank and in hand		116,685		56,420	
		<b>245,427</b>		<b>184,577</b>	
Creditors: amounts falling due within one year	17		(77,178)		(88,727)
<b>Net current assets</b>			<b>168,248</b>		<b>95,850</b>
<b>Total assets less current liabilities</b>			<b>243,789</b>		<b>167,930</b>
Provisions for liabilities and charges	18		(10,140)		(17,978)
Minority Interests	21		(4)		(3)
<b>Net assets</b>			<b>233,645</b>		<b>149,949</b>
<b>Capital and reserves</b>					
Called up share capital	19		2		2
Profit and loss account	20		233,643		149,947
<b>Total shareholders' funds</b>	20		<b>233,645</b>		<b>149,949</b>

These financial statements were approved by the directors on 27 March 2006.

J Dyson  
Director



The notes on pages 11 to 33 form part of these financial statements.

**Dyson James Limited****Company balance sheet as at 31 December 2005**

	Note	2005 £'000	2005 £'000	Restated 2004 £'000	2004 £'000
<b>Fixed assets</b>					
Investments	13		441,256		396,027
<b>Creditors: amounts falling due within one year</b>					
	17		(4)	(4)	
<b>Net current liabilities</b>			(4)		(4)
<b>Net assets</b>			441,252		396,023
<b>Capital and reserves</b>					
Called up share capital	19		2		2
Profit and loss account	20		30,765		26,919
Revaluation reserve	20		410,485		369,102
<b>Total shareholders' funds</b>	20		441,252		396,023
<b>Attributable to</b>					
Equity			441,250		396,021
Non equity			2		2
			441,252		396,023

These financial statements were approved by the directors on 27 March 2006.

  
J Dyson  
Director

The notes on pages 11 to 33 form part of these financial statements.

**Dyson James Limited****Consolidated cash flow statement for the year ended 31 December 2005**

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
<b>Cash inflow from operating activities</b>					
Net cash inflow before exceptional items	A	75,066		75,877	
Outflow related to exceptional items		-		(500)	
<b>Net cash inflow from operating activities</b>			<b>75,066</b>		<b>75,377</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		7,199		3,137	
Interest paid		(614)		(377)	
Non-equity dividends paid to shareholders		-		(6,000)	
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>			<b>6,585</b>		<b>(3,240)</b>
<b>Taxation</b>			<b>(17,568)</b>		<b>(17,333)</b>
<b>Capital expenditure and financial investments</b>					
Loan to related party		-		(19,998)	
Loan repayments from related party		13,917		6,080	
Proceeds from sale of tangible fixed assets		2,141		1,624	
Purchase of tangible fixed assets		(18,219)		(24,928)	
<b>Net cash outflow from capital expenditure and financial investments</b>			<b>(2,161)</b>		<b>(37,222)</b>
<b>Acquisitions</b>					
Purchase of minority interest		-		(131)	
<b>Net cash outflow for acquisitions</b>			<b>-</b>		<b>(131)</b>
<b>Equity dividends paid</b>			<b>-</b>		<b>(1,000)</b>
<b>Net cash inflow before financing</b>			<b>61,922</b>		<b>16,451</b>
<b>Financing</b>					
Capital element of finance leases		-		(15)	
Foreign currency net investment hedges		(1,657)		-	
<b>Net cash outflow from financing</b>			<b>(1,657)</b>		<b>(15)</b>
<b>Increase in net cash</b>	B		<b>60,265</b>		<b>16,436</b>

The notes on pages 11 to 33 form part of these financial statements.

**Dyson James Limited****Notes to the consolidated cash flow statement for the year ended 31 December 2005****A Reconciliation of operating profit to net cash inflow from operating activities**

	2005 £'000	2004 £'000
Operating profit	96,526	75,443
Depreciation of tangible fixed assets	13,516	8,313
Amortisation of intangible fixed assets	340	336
Impairment of tangible fixed assets	290	-
Loss/(profit) on disposal of fixed assets	906	(826)
(Increase) in stocks	(5,811)	(10,676)
(Increase) in debtors	(4,577)	(41,980)
(Decrease)/increase in creditors	(17,712)	42,303
(Decrease)/Increase in provisions	(8,412)	2,964
<b>Net cash inflow from operating activities</b>	<b>75,066</b>	<b>75,877</b>

**B Analysis of movements in net funds**

	At 1 January 2005 £'000	Cash flows £'000	At 31 December 2004 £'000
Cash at bank and in hand	56,420	60,265	116,685
Cash and cash equivalents	56,420	60,265	116,685
<b>Total</b>	<b>56,420</b>	<b>60,265</b>	<b>116,685</b>

**C Reconciliation of net cash flow to movement in net funds**

	2005 £'000	2004 £'000
Increase in net cash	60,265	16,436
Movement in borrowings	-	15
Movement in net funds in the year	60,265	16,451
Net funds at 1 January	56,420	39,969
<b>Net funds at 31 December</b>	<b>116,685</b>	<b>56,420</b>

## **Dyson James Limited**

### **Statement of accounting policies**

#### **Accounting convention**

These financial statements have been prepared under the historical cost convention, except for the valuation of investments, and in accordance with the Companies Act 1985 and applicable accounting standards. A summary of the more important Group accounting policies is set out below. These have been applied consistently to the prior year, except for the accounting policy relating to the valuation of investments (note 3). The change in policy has been accounted for as a prior year adjustment and the company's net assets and reserves amended accordingly.

#### **Basis of consolidation**

The financial statements of the Company and its subsidiaries for the year ended 31 December 2005 are incorporated in the consolidated financial statements for the year ended on that date.

Subsidiaries acquired are dealt with in the consolidated financial statements using acquisition accounting. Upon the acquisition of a subsidiary, fair values that reflect the condition at the date of acquisition are attributed to the identifiable assets and liabilities acquired. Adjustments are made to bring the accounting policies of subsidiaries acquired into alignment with those of the Group. Where the fair value of the consideration paid exceeds the fair value of the acquired assets and liabilities, the difference is treated as goodwill. The results of businesses acquired are included from the effective date of acquisition and businesses sold are included up to the date of disposal.

#### **Turnover**

Turnover is recognised on delivery of product to customer or completion of service and represents the invoiced value of goods and services derived from the Group's principal activities as described on page 2, net of Value Added Tax, settlement discounts and promotional expenditure.

#### **Investments**

Investments are initially recorded at cost and revalued subsequently to their net asset value at each balance sheet date.

#### **Goodwill on consolidation**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 15 years. Provision is made for any impairment.

#### **Patents/licences**

Patents/licences included in intangible fixed assets are stated at cost less accumulated amortisation. Amortisation is provided from the date of acquisition to write off the cost less estimated residual value over their useful economic lives of 15 years.

## Dyson James Limited

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated so as to write off the cost, less estimated residual value, of each asset on a straight line basis, over its useful economic life, as follows:

Freehold property	2% per annum
Leasehold land and buildings	Period of lease
Tooling	33.3% per annum
Plant and equipment:	
Information Technology	33.3% per annum
Other	10-20% per annum
Fixtures and fittings	33.3% per annum
Motor vehicles	25% per annum

Assets in the course of construction are not depreciated until they are brought into use. No depreciation is provided against freehold land.

### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and, where applicable, manufacturing support overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

### Guarantee provision

Provision is made for the cost of repairing appliances under the guarantee period of 2-5 years, together with collection and return to the consumer where appropriate, based on the expected level of returns.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and/or from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### Foreign currencies

Profit and loss accounts of foreign Group undertakings are translated at average rates of exchange. Balance sheets are translated at year-end rates. Exchange gains and losses arising from these translations are taken to reserves and reported in the consolidated statement of total recognised gains and losses. Assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange or the rate at which the transaction is contracted to be settled in the future. Exchange differences arising on transactions are taken to the profit and loss account.

Where the net assets of an investment are hedged using borrowings denominated in foreign currencies, any exchange differences on these borrowings are taken to reserves to the extent that they offset the exchange differences on revaluation of the investments.

## **Dyson James Limited**

### **Treasury and derivative instruments**

Outstanding foreign exchange deals hedging anticipated future foreign exchange exposures are not marked to market. All other outstanding foreign exchange deals are marked to market using mid-market rates of exchange ruling at the balance sheet date. Premiums and discounts on forward foreign exchange deals are taken to the profit and loss account as interest over the period of the contract. Option premiums are taken to the profit and loss account over the life of the option. Credit default swaps are used as hedges for trading credit exposures and are not marked to market. Payments under credit default swaps are taken to profit and loss account over the period of the contract.

### **Leases and hire purchase agreements**

Tangible fixed assets held under hire purchase agreements are capitalised at the amount representing the outright purchase price and are depreciated in the same manner as other tangible fixed assets over their useful lives. The related obligations, net of future finance charges, are treated as liabilities under creditors due within or after more than one year, as appropriate. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a reducing proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account as they are incurred.

### **Pensions**

Contributions in respect of defined contribution pension schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

### **Research and development costs**

Research and development costs are expensed to the profit and loss account as incurred.

## Dyson James Limited

### Notes to the financial statements for the year ended 31 December 2005

#### 1 Parent Company

The parent Company profit and loss account has not been presented as permitted by Section 230(3) of the Companies Act 1985. The parent Company's loss after tax for the year ended 31 December 2005 amounted to £500,000 (2004: profit as restated of £34,544,000).

#### 2 Segmental information

The disclosure of segmental information as laid down by SSAP 25 – Segmental Reporting, would, in the opinion of the Directors, be seriously prejudicial to the interests of the Group. Consequently these disclosures have not been made.

#### 3 Prior year adjustments

##### (a) Valuation of investments

During the year the company changed its accounting policy for the valuation of investments in subsidiaries from cost to net asset valuation to more appropriately reflect the Group's policy of hedging the net asset position of investments held in foreign currencies. A prior year adjustment has been made to revalue the investments to their net asset value at 1 January 2004. This adjustment has no impact on the results of the Group. The impact of this adjustment on the company is set out below:

<b>Company</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit after tax</b>		
As previously disclosed	-	34,555
Adjustment for revaluation of assets	(500)	(11)
<b>Reported (loss)/profit after tax</b>	<b>(500)</b>	<b>34,544</b>
<b>Investments</b>		
At cost	27,561	27,561
Revaluation adjustment	413,695	368,466
<b>Reported valuation</b>	<b>441,256</b>	<b>396,027</b>

**Dyson James Limited****3 Prior year adjustments (continued)****(a) Valuation of investments (continued)**

<b>Company (continued)</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Shareholders' funds</b>		
As previously disclosed	<b>27,557</b>	27,557
Adjustment for revaluation of assets	<b>413,695</b>	368,466
<b>Reported shareholders' funds</b>	<b>441,252</b>	396,023

**(b) Revenue recognition**

As required by FRS 5 Application Note G (Revenue Recognition) the Group has changed its accounting policy to recognise turnover net of promotional expenditure. This expenditure was previously included in administrative expenditure. There is no impact on the Group or company profit for the financial year as a result of this adjustment. The comparative has been restated and the impact has been to reduce turnover and administrative expenses in 2004.

**(c) Distribution expenses**

Distribution expenses have been represented separately as this is considered more appropriate.

**Dyson James Limited****4 Profit on ordinary activities before taxation**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation is stated after charging / (crediting);		
Research and development	<b>35,547</b>	19,423
Auditors' remuneration including expenses		
- Group	<b>200</b>	180
- Company	<b>1</b>	1
Fees payable to auditors for non-audit services	<b>378</b>	169
Depreciation of tangible fixed assets	<b>13,516</b>	8,298
Impairment of tangible fixed assets	<b>290</b>	-
Depreciation of assets held under hire purchase agreements	<b>-</b>	15
Amortisation of intangible fixed assets	<b>340</b>	336
Loss/(profit) on disposal of fixed assets	<b>906</b>	(826)
Operating leases - plant and equipment	<b>1,423</b>	1,436
Operating leases - property	<b>859</b>	734

**5 Directors' remuneration**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<b>31,542</b>	21,610
Company contributions paid to money purchase pension schemes	<b>39</b>	278
	<b>31,581</b>	21,888

The number of directors with benefits accruing during the year under money purchase schemes is 2 (2004: 2).

## Dyson James Limited

### 5 Directors' remuneration (continued)

The directors' remuneration disclosed above includes the following amounts for the highest paid director:

Highest paid director	2005 £'000	2004 £'000
Aggregate emoluments	31,519	21,589
Company contributions paid to money purchase pension schemes	36	189
	<b>31,555</b>	<b>21,778</b>

### 6 Staff costs

	2005 £'000	2004 £'000
Wages and salaries	80,727	70,314
Social security costs	8,786	8,164
Other pension costs	1,948	1,544
<b>Staff costs</b>	<b>91,461</b>	<b>80,022</b>

One of the Company's subsidiaries, Dyson Limited, operates defined contribution pension schemes. The assets are held and managed independently of the finances of that company.

The average monthly number of employees (including directors) during the year was as follows:

By activity	2005 £'000	2004 £'000
Production	54	53
Sales and administration	1,197	1,044
Research and development	428	340
	<b>1,679</b>	<b>1,437</b>

**Dyson James Limited****7 Interest receivable and similar income**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	<b>4,878</b>	2,606
Interest received from related party (note 24b and c)	<b>2,321</b>	531
	<b>7,199</b>	3,137

**8 Interest payable and similar charges**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	<b>614</b>	378
	<b>614</b>	378

**Dyson James Limited****9 Taxation****(a) Analysis of charge for the year**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Taxation is based upon the taxable profit for the year as follows</b>		
UK corporation tax at 30% (2004: 30%)		
- current year	<b>17,781</b>	14,889
- prior year	<b>2,312</b>	594
	<b>20,093</b>	15,483
Overseas tax	<b>4,949</b>	40
Double tax relief	<b>(35)</b>	(1,404)
Total current tax	<b>25,007</b>	14,119
Deferred tax at 30% (2004: 30%)		
- current year	<b>(1,581)</b>	3,891
- prior year	<b>(3,036)</b>	(1,034)
Total deferred tax	<b>(4,617)</b>	2,857
<b>Tax on profit on ordinary activities</b>	<b>20,390</b>	16,976

## Dyson James Limited

### 9 Taxation (continued)

#### (b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2004: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	103,111	78,202
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	30,933	23,461
Effects of:		
Depreciation for year in excess of capital allowances	422	(953)
Amortisation of intellectual property	(7,802)	(3,500)
Expenses not deductible for tax purposes	336	429
Adjustments to tax charge in respect of previous periods	2,313	594
Benefits of tax incentives	(4,717)	(2,927)
Overseas tax losses utilisation	(115)	(941)
Differential overseas tax rates	526	485
Other timing differences	3,112	(2,530)
<b>Current tax charge for year</b>	<b>25,007</b>	<b>14,119</b>

A further liability to taxation might arise if the retained profits of certain overseas subsidiaries were distributed to the UK.

#### (c) Factors that may affect future tax charges

The Group has unrelieved tax losses in certain countries outside the UK. Some of these have been used in 2005 and have contributed to a reduced Group tax charge. A deferred tax asset has been recognised in respect of losses carried forward where it is felt to be more likely than not that the Group will utilise these losses in future years.

The Group has benefited from specific tax incentives both in the UK and overseas, which have contributed to a tax charge in 2005, which is lower than the UK statutory rate and is expected to continue to do so in future years.

**Dyson James Limited****10 Dividends**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Equity</b>		
Interim dividends paid:		
£Nil - per A share (2004: £50.10)	-	1,000
	-	1,000
<b>Non equity</b>		
Interim dividends paid:		
£Nil - per B share (2004: £3,000.00)	-	6,000
	-	6,000
<b>Total dividends</b>	-	7,000

**Dyson James Limited****11 Intangible fixed assets - Group**

	<b>Licences £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2005	1,826	3,051	4,877
Exchange differences	-	219	219
<b>At 31 December 2005</b>	<b>1,826</b>	<b>3,270</b>	<b>5,096</b>
<b>Amortisation</b>			
At 1 January 2005	365	277	642
Amortisation in the year	122	218	340
Exchange differences	-	4	4
<b>At 31 December 2005</b>	<b>487</b>	<b>499</b>	<b>986</b>
<b>Net book value</b>			
<b>At 31 December 2005</b>	<b>1,339</b>	<b>2,771</b>	<b>4,110</b>
At 31 December 2004	1,461	2,774	4,235

**Dyson James Limited****12 Tangible fixed assets – Group**

	<b>Freehold land and buildings</b>	<b>Leasehold land and buildings</b>	<b>Tooling</b>	<b>Plant, equipment, fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>						
At 1 January 2005	36,755	747	57,713	29,913	580	125,708
Additions	-	4,749	5,129	8,216	125	18,219
Disposals	(2,581)	-	(14,421)	(5,298)	(71)	(22,371)
Exchange differences	(12)	361	4,424	294	14	5,081
<b>At 31 December 2005</b>	<b>34,162</b>	<b>5,857</b>	<b>52,845</b>	<b>33,125</b>	<b>648</b>	<b>126,637</b>
<b>Depreciation</b>						
At 1 January 2005	4,020	97	35,406	17,964	376	57,863
Charge in year	673	199	9,354	3,205	85	13,516
Disposals	(106)	-	(14,346)	(4,821)	(51)	(19,324)
Impairment	-	-	290	-	-	290
Exchange differences	(1)	20	2,684	152	5	2,861
<b>At 31 December 2005</b>	<b>4,587</b>	<b>316</b>	<b>33,388</b>	<b>16,500</b>	<b>415</b>	<b>55,206</b>
<b>Net book value</b>						
<b>At 31 December 2005</b>	<b>29,575</b>	<b>5,541</b>	<b>19,457</b>	<b>16,625</b>	<b>233</b>	<b>71,431</b>
At 31 December 2004	32,735	650	22,307	11,949	204	67,845

The cost and net book values include assets in the course of construction as follows:

<b>At 31 December 2005</b>	-	-	<b>1,099</b>	<b>834</b>	-	<b>1,933</b>
At 31 December 2004	-	-	10,061	1,093	-	11,154

Capital expenditure contracted but not provided for at the year end was £1,450,000 (2004: 830,000).

**Dyson James Limited****13 Investments - Company**

	<b>Restated £'000</b>
<b>Unlisted investments at valuation</b>	
At 1 January 2005	396,037
Revaluation	41,383
Exchange differences	4,346
<b>At 31 December 2005</b>	<b>441,766</b>
<b>Amounts written off investments</b>	
At 1 January 2005	10
Amounts written off in year	500
<b>At 31 December 2005</b>	<b>510</b>
<b>Net book value</b>	
<b>At 31 December 2005</b>	<b>441,256</b>
At 31 December 2004	396,027

**Dyson James Limited****13 Investments – Company (continued)**

The principal subsidiaries of the Company are as follows:

Directly held by the Company:

<b>Company name</b>	<b>Country of incorporation</b>	<b>Shares held</b>	<b>Company holding %</b>	<b>Principal activity</b>
Dyson Ltd	UK	Ordinary	100	Sale and service of domestic appliances
Dyson Research Ltd	UK	Ordinary	100	Holder of exclusive brand rights, licences and trademarks
Dyson Technology Ltd	UK	Ordinary	100	Research and development, owner of product design rights
Dyson International Ltd	UK	Ordinary	100	Intermediate holding company
Dyson Estates Ltd	UK	Ordinary	100	Purchase and rental of commercial premises
Dyson Exchange Limited	UK	Ordinary	100	Sale of domestic appliances

## Dyson James Limited

### 13 Investments – Company (continued)

Indirectly held by the Company:

Company name	Country of incorporation	Shares held	Group holding %	Principal activity
Dyson Appliances (Aust) Pty Ltd	Australia	Ordinary	100	Sale and service of domestic appliances
Dyson SAS	France	Ordinary	99.95	Sale and service of domestic appliances
Dyson GmbH	Germany	Ordinary	100	Sale and service of domestic appliances
Dyson KK	Japan	Ordinary	100	Sale and service of domestic appliances
Dyson SA	Switzerland	Ordinary	99.9	Sale and service of domestic appliances
Dyson Manufacturing Sdn Bhd	Malaysia	Ordinary	100	Manufacturing support
Dyson Technology Inc	USA	Ordinary	100	Holding company
Dyson Inc	USA	Ordinary	100	Sale and service of domestic appliances
Dyson Canada Limited	Canada	Ordinary	100	Sale and service of domestic appliances
Dyson Ireland Ltd	Ireland	Ordinary	100	Sale and service of domestic appliances

### 14 Stocks

	2005	2005	2004	2004
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Raw materials and consumables	6,016	-	2,710	-
Finished goods and goods for resale	25,862	-	21,528	-
	31,878	-	24,238	-

**Dyson James Limited****15 Debtors – Amounts falling due within one year**

	2005	2005	2004	2004
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade debtors	88,654	-	82,335	-
Corporation tax	315	-	3,784	-
Deferred tax asset	2,964	-	-	-
Other debtors	669	-	123	-
Prepayments	4,262	-	3,759	-
	96,864	-	90,001	-

**16 Debtors – Amounts falling due after more than one year**

	2005	2005	2004	2004
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Other debtors (see note 24c)	-	-	13,918	-
	-	-	13,918	-

**17 Creditors – Amounts falling due within one year**

	2005	2005	2004	2004
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade creditors	23,219	-	30,876	-
Other creditors	5,933	-	2,483	-
Corporation tax	5,052	-	6,475	-
Other taxes and social security	11,315	-	20,366	-
Accruals and deferred income	31,659	-	28,527	-
Amounts due to Group undertakings	-	4	-	4
	77,178	4	88,727	4

**Dyson James Limited****18 Provisions for liabilities and charges**

Group	Deferred tax £'000	Guarantee £'000	Total £'000
At 1 January 2005	1,736	16,242	17,978
Transferred to debtors	2,964	-	2,964
Transferred from profit and loss account	(4,617)	(6,434)	(11,051)
Exchange rate movements	(83)	332	249
<b>At 31 December 2005</b>	<b>-</b>	<b>10,140</b>	<b>10,140</b>

The guarantee provision represents the cost of potential repair and modification of goods under guarantee.

**Deferred taxation comprises**

	2005 Provided £'000	2005 Unprovided £'000	2004 Provided £'000	2004 Unprovided £'000
Accelerated capital allowances	7,426	-	6,258	-
Other timing differences	(10,243)	-	(3,782)	-
Losses	(147)	-	(740)	-
<b>Deferred tax (asset)/liability</b>	<b>(2,964)</b>	<b>-</b>	<b>1,736</b>	<b>-</b>

## Dyson James Limited

### 19 Share capital

	2005	2004
	£	£
<b>Authorised share capital</b>		
20,000 'A' ordinary shares of £0.01	200	200
2,000 'B' ordinary shares of £1	2,000	2,000
	<b>2,200</b>	<b>2,200</b>
<b>Called up and fully paid</b>		
19,960 'A' ordinary shares of £0.01	200	200
2,000 'B' ordinary shares of £1	2,000	2,000
	<b>2,200</b>	<b>2,200</b>

#### Non equity shares

The B ordinary shares are only entitled to distributable profits after the first £1,000,000 of dividends have been distributed to the A ordinary shares. They carry no votes at shareholder meetings and are only entitled to repayment of their nominal value on a winding up.

### 20 Reconciliation of movements in shareholders' funds

Group	Share capital	Profit and loss account	2005	2004
	£'000	£'000	£'000	£'000
Shareholders' funds at 1 January	2	149,947	149,949	96,168
Profit for the financial year	-	82,720	82,720	61,187
Dividends	-	-	-	(7,000)
Other gains and losses	-	976	976	(406)
<b>Shareholders' funds at 31 December</b>	<b>2</b>	<b>233,643</b>	<b>233,645</b>	<b>149,949</b>
<b>Attributable to</b>				
Equity			233,643	149,947
Non equity			2	2
			<b>233,645</b>	<b>149,949</b>

**Dyson James Limited****20 Reconciliation of movements in shareholders' funds  
(continued)**

Company	Share capital £'000	Profit and loss account £'000	Revaluation reserve £'000	2005 £'000	Restated 2004 £'000
Shareholders' funds at 1 January as previously stated	2	26,919	369,102	396,023	2
Prior year adjustment	-	-	-	-	94,115
At beginning of the year as restated	2	26,919	369,102	396,023	94,117
Profit for the financial year	-	(500)	-	(500)	34,544
Dividends	-	-	-	-	(7,000)
Revaluation of fixed asset investments	-	-	41,383	41,383	274,987
Other gains and losses	-	4,346	-	4,346	(625)
<b>Shareholders' funds at 31 December</b>	<b>2</b>	<b>30,765</b>	<b>410,485</b>	<b>441,252</b>	<b>396,023</b>

£27,555,000 of the profit and loss account in the company represents an unrealised profit.

**21 Minority interest**

	2005 £'000	2004 £'000
At 1 January	3	1
Share of profit for the financial year	1	39
Acquisition of minority interest	-	(37)
<b>At 31 December</b>	<b>4</b>	<b>3</b>

## Dyson James Limited

### 22 Financial Commitments

The Group had annual commitments under non-cancellable operating leases expiring as follows:

	2005		2004	
	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
	£'000	£'000	£'000	£'000
Within one year	59	84	-	109
Within two to five years	911	1,362	673	1,174
In more than five years	161	-	-	-
	<b>1,131</b>	<b>1,446</b>	<b>673</b>	<b>1,283</b>

### 23 Pension costs

Pension costs of £1,948,000 (2004: £1,544,000) were charged in the year in relation to Group defined contribution pension schemes. £174,000 (2004: £10,000) was included in other creditors at the year end as amounts payable to the scheme.

### 24 Related party transactions

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Group or investees of the Group. For details of other related party transactions see below.

- a) During the year the Group entered into transactions with related parties in which the following directors of a subsidiary company had a beneficial interest:

Consultancy services were provided by Sir Richard Needham Consultancy Limited for an amount of £106,000 (2004: £300,000). At the year end a balance payable to the related party amounted to £63,000 (2004: £5,000). Sir Richard Needham is a non-executive director of Dyson Limited.

Consultancy services were provided by Going Plural, the consultancy company owned by Allan Leighton for an amount of £nil (2004: £47,000). At the year end no balance was payable to the related party (2004: £nil). Allan Leighton was a non-executive director of Dyson Limited (resigned 20<sup>th</sup> December 2004).

## **Dyson James Limited**

### **24 Related party transactions (continued)**

- b) During the year amounts totalling £25,200,000 (2004: £nil) were advanced to James Dyson by way of interest-bearing loan. The loan was repayable on demand and carried interest at 1.35% above bank base rate (interest accrued in 2005: £1,277,000 (2004: £nil)). The entire loan was outstanding at the year end. It was subsequently settled in full on 20 March 2006 from amounts owed to James Dyson for services provided during the year to 31 December 2005.

- c) During the year the Group provided a loan of up to £21,155,000 (2004: £19,998,000) to a company (Profred Limited) in which James Dyson has a beneficial interest. The terms of the loan were:

Repayment: No later than second anniversary after the first drawdown  
Interest: 1.35% above bank base rate (interest received in 2005: £1,044,000 (2004: £531,000))  
Loan guarantor: James Dyson

The balance receivable was settled in full in cash on 30 September 2005.

- d) Profred Limited provided the Group with services amounting to £1,815,000 (2004: £2,030,000) during 2005. At the year end the balance payable to Profred Limited amounted to £nil (2004: £129,000).
- e) Profred Partners LLP, a limited liability partnership in which James Dyson has a beneficial interest, provided the Group with services amounting to £1,280,000 (2004: £nil) during 2005. At the year end the balance payable to Profred Partners LLP amounted to £319,000 (2004: £nil).
- f) During the year the Group sold a property to James Dyson for £1,475,000 realising a loss of £968,000. The consideration was included in the advance referred to in b) above. At the same time the Group entered into a lease with James Dyson for the use of part of the building. During the year it paid rent of £38,000 under the lease.

### **25 Controlling party**

James Dyson, the Chairman, is the controlling party by virtue of his controlling interest in the Company's equity capital.

### **26 Contingent liabilities**

The Group has given maximum guarantees of £75,000 (2004: £75,000) to HM Customs and Excise in respect of Dyson Limited's deferment account.

At the year end the Group had outstanding forward foreign exchange contracts and foreign exchange option commitments amounting to £140,937,000 (2004: £107,840,000).